M I N U T E S

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
Thursday, March 22, 2012
8:30 A.M.

Members Present:	Mr. Levi Erdmann Ms. Joan Ehrhardt Mr. Howard Sage Mr. Mike Sandal Ms. Arvy Smith Mr. Thomas Trenbeath
Via Videoconference:	Chairman Jon Strinden
Others Present:	Mr. Sparb Collins, NDPERS Ms. Cheryl Stockert, NDPERS Ms. Sharon Schiermeister, NDPERS Ms. Deb Knudsen, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Rebecca Fricke, NDPERS Mr. Srinivas Goluguri, NDPERS Ms. Jan Murtha, Attorney General's Office Mr. Kevin Schoenborn, BCBSND Mr. Michael Potts, BCBSND Mr. Michael Carlson, BCBSND Mr. Brent Solseng, BCBSND Ms. Jodi Crouse, BCBSND Ms. Tara Roberts, BCBSND
Via Videoconference:	Ms. Onalee Sellheim, BCBSND Mr. Jim Wynstra, BCBSND

Chairman Strinden called the meeting to order at 8:30 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the February 16, 2012 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE FEBRURY 16, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

DEFERRED COMPENSATION AND DEFINED CONTRIBUTION

457 Companion Plan

Mr. Collins reported to the Board that TIAA-CREF receives 30 basis points (bps) in revenue sharing for recordkeeping functions for the 457 Companion Plan. They will need 23 bps for expenses. They have agreed that the difference of 7 bps can be returned to PERS. Upon review by legal counsel, it was determined that PERS does not have the authority to accept and expend these 7 bps in the 457 plan for administrative expenses. Consequently, the only course of action for these funds is to credit them back to the member accounts. This raises a question in the longer term as to whether or not PERS wants to seek statutory authority to accept the revenue sharing monies for administrative costs. The Board discussed how to disperse and use the 7 bps in the 457 Companion Plan.

MR. SANDAL MOVED TO AUTHORIZE STAFF TO CREDIT MEMBER ACCOUNTS WITH THE FUNDS FROM TIAA-CREF AND ALSO MOVE FORWARD WITH LEGISLATION THAT WOULD ALLOW PERS TO USE THOSE DOLLARS FOR ADMINISTRATIVE PURPOSES. THE MOTION WAS SECONDED BY MS. SMITH.

The Board discussed this motion. Staff and Board agreed that, if legislation is passed, the Board would determine how those funds will be used.

Ayes: Ms. Ehrhardt, Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Smith, Mr. Trenbeath, and Chairman Strinden
Nays: None

MOTION PASSED

401(a) Defined Contribution Plan

Mr. Collins reported to the Board that participants in the 401(a) defined contribution plan have historically been charged 6 basis points (bps) for PERS administration which has been taken out quarterly. As with the 457 plan, TIAA-CREF will be receiving 30 bps in revenue sharing and they will need 23 bps, which leaves 7 bps available for administrative fees and/or revenue sharing to the participants. Upon legal review of the statute, the PERS Board has authority to accept this money directly and use it for administrative expenses. Staff suggested to continue charging the 6 bps and to re-evaluate this to determine future charges.

MR. TRENBEATH MOVED TO DEPOSIT THE 7 BASIS POINTS INTO THE MEMBER ACCOUNTS AND CONTINUE TO CHARGE THE ADMINISTRATIVE FEES IN THE SAME MANNER AS HAS BEEN DONE IN THE PAST. THE MOTION WAS SECONDED BY MR. ERDMANN.

The Board discussed the motion and concurred there should be communication to the members relating to revenue sharing.

Ayes: Mr. Trenbeath, Mr. Sage, Mr. Erdmann, Mr. Sandal, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden
Nays: None

MOTION PASSED

RETIREMENT AND RETIREE HEALTH INSURANCE CREDIT

Retiree Health Legislation

Mr. Collins reported that the PERS Retiree Committee met on February 24 to review information on the PERS programs and discuss possible legislative options. Suggestions from the Committee for the Board's consideration were to move forward with the recovery plan for 2014 and 2015 with a 2% contribution increase each year.

Since retirees have not had increases for many years, the Retiree Committee is also suggesting to allow the retiree health insurance credit (RHIC) to be portable, to be used for any health insurance policy and for PERS group insurance products such as vision, dental and long term care plan premiums. Approximately 55% of the PERS retirees use the credit. Segal provided an assessment of the RHIC fund and the cost of adding this portability to be .18% of payroll which would be the cost of going from 55% utilization of this benefit to possibly 100% utilization. On the last actuarial valuation, it was determined that the required contribution for the benefits is .88%. The contribution to that program today is 1.14%. There is a positive contribution of .26%. Given this, it was determined by the Retiree Committee that an increase in employer contributions would not be necessary.

Mr. Collins reviewed with the Board the pre-Medicare retiree health insurance coverage. This was originally offered because it provided guaranteed health insurance to pre-Medicare retirees at retirement. He explained this program has an implicit subsidy for those pre-Medicare retirees because the statute determines how the rate is set. Employers are required to show this implicit subsidy on their financial statements which is $52 million on the state's financial statements. The Retiree Committee suggested discontinuing offering pre-Medicare health insurance to retirees when the health exchanges are established. They felt that if the credit was portable they could use it on the exchange to purchase coverage. In addition, retirees may be able to access and receive subsidies on the exchange.

Mr. Collins summarized by stating that the Retiree Committee suggested making the RHIC a portable credit towards any health insurance product and PERS dental, vision, or long term care insurance products, and to discontinue offering pre-Medicare health insurance to retirees contingent on the establishment of the health exchanges. Mr. Collins reviewed with the Board a draft bill which includes these provisions and indicated the draft bill would have to be reviewed and approved by the Legislative Employee Benefits Committee. The Board discussed the draft legislation relating to retirees.

MR. SAGE MOVED TO DRAFT LEGISLATION WHICH WOULD ALLOW RETIREES TO USE THE RETIREE HEALTH INSURANCE CREDIT FOR ANY HEALTH INSURANCE PRODUCT, FOR PERS DENTAL, VISION AND LONG TERM CARE INSURANCES AND TO DISCONTINUE OFFERING PRE-MEDICARE HEALTH INSURANCE TO RETIREES CONTINGENT ON THE ESTABLISHMENT OF THE HEALTH EXCHANGES. THE MOTION WAS SECONDED BY MS. EHRHARDT.

The Board discussed this motion.

Ayes: Ms. Smith, Mr. Sage, Mr. Erdmann, Mr. Trenbeath, Ms. Ehrhardt, Mr. Sandal, and Chairman Strinden
Nays: None

MOTION PASSED

Retirement Legislation

Mr. Collins reviewed with the Board the draft of the legislation for the retirement plans. The first bill draft is for the last two years of the recovery plan for 2014 and 2015 with the 50% employee and 50% employer contribution. The second bill draft is the PERS administrative bill.

MR. TRENBEATH MOVED APPROVAL OF THE TWO BILL DRAFTS RELATING TO THE TWO YEAR RECOVERY PLAN FOR THE RETIREMENT PLANS AND THE PERS ADMINISTRATIVE BILL. THE MOTION WAS SECONDED BY MR. ERDMANN.

Ayes: Mr. Sandal, Ms. Ehrhardt, Ms. Smith, Mr. Erdmann, Mr. Trenbeath, and Chairman Strinden
Nays: None
Absent: Mr. Sage

MOTION PASSED

GROUP INSURANCE

BCBS Annual Report

Mr. Schoenborn introduced BCBS consulting and wellness staff that were available to review the annual report with the Board. Mr. Potts began by reviewing the annual report of the PERS health plan. He indicated they have been developing analytical capabilities to answer challenging questions posed by PERS. He explained that the consultative process is a 4-step approach – assessing population health needs and health culture, developing annual program and incentive plan, implementing the plan and educating employees, and monitoring performance periodically.

Mr. Wynstra reviewed the annual trend data which compared the most recent biennium with the prior two bienniums. There is currently a 9.8% trend for the actives which is fairly high. It is not expected to continue as there is currently a higher volume of inpatient claims and we are into month five of a twenty four month biennium. The trend for the Medicare retirees is 1.1%. He reviewed the year to date incurred claims per contract and claims trending.

Ms. Crouse reviewed information on utilization in the PERS plan among the actives broken down by state and political subdivision, early retirees and Medicare retirees. Also reviewed was average age of the active and retiree members; paid per member per month (comparison of PERS to BCBS Plan); membership information; high dollar case information; newborn information; prescription information. Ms. Crouse noted the performance guarantee indicates BCBS will maintain a PPO network consisting of 90% or more and this is above goal at 99.6%. There was further discussion on the Prenatal Plus program and promoting it to expectant mothers.

Mr. Solseng reviewed information relating to pharmacy utilization which included the Prime Select Network; competitive pricing, Triessent Specialty Drug Program; and future strategy opportunities. Future strategies align with pharmacy and claims data. In 2012 there will be work on quality improvement programs for hypertension, coronary arterial disease, colorectal screens, optimal diabetes care, optimal vascular care, cholesterol and tobacco cessation. BCBS goal is to have 75% of all members to have controlled blood pressures. Mr. Solseng reviewed information on the MediQHome program, specifically efforts relating to hypertension. He also reviewed the medication therapy management program and PrimeMail mail-service pharmacy service. The Board had questions of Mr. Solseng.

Mr. Carlson reviewed PERS health management information which included cancer screening measures (compliance rate); MediQHome (members with chronic conditions); and Accordant Care.

Ms. Roberts presented information relating to the wellness programs. MyHealthCenter program participation had a record high participation at 16.9% with the health risk appraisals completed. The NDPERS health score card showed that many health management metrics were met for the performance guarantees.

Mr. Schoenborn summarized information relating to the performance standards and guarantees for cost management, health outcomes, operational performance and provider network management. Goals have been set for 2011 so there will be a percent increase moving forward.

Mr. Carlson continued with reviewing the 2011 key findings and solutions to the PERS plan. Recommendations for optimal health management included: execute strategic campaign to engage PERS membership in tools that encourage healthy behavior for prevention (wellness, HealthyBlue); proactive outreach for the enhanced prenatal plus program and member advocacy program; develop a campaign to increase awareness and engagement in MediQHome; utilize integrated medical and pharmacy data to identify gaps in medical care and improve medication adherence through outreach programs; and promote continued Accordant engagement for rare and complex conditions. The Board discussed these key findings and specific recommendations to be used for future planning.

Health Graphs

Mr. Reinhardt shared information with the Board relating to PERS health plan per member per month (per capita) information for the last two years of data (ending September 2011). The overall group's costs went from $250 to about $285 which is about 14% increase for the two year period.

Dental Plan Consulting Services Request for Proposal

Mr. Collins reported that PERS received two proposals to the recent request for proposal to provide consulting services for group dental plan. Based on staff review, Segal scored the highest with 92.67 points.

MR. SANDAL MOVED TO AWARD THE GROUP DENTAL PLAN CONSULTING SERVICES CONTRACT TO SEGAL. THE MOTION WAS SECONDED BY MS. EHRHARDT.

Ayes: Mr. Sandal, Mr. Erdmann, Ms. Ehrhardt, Mr. Sage, Ms. Smith, and Chairman Strinden
Nays: None
Absent: Mr. Trenbeath

MOTION PASSED

Mr. Collins reported that legal counsel is working with Segal on their noted exceptions to the agreement. If there are significant changes, this will be brought back to the Board for review and approval.

Legislation
Mr. Collins shared the first draft of the health legislation with the Board. The changes relate to the high deductible health insurance plan being offered to political subdivisions which will allow them to contract directly for their health savings account and the shared responsibility rules of the Affordable Care Act.

MS. SMITH MOVED APPROVAL OF THE DRAFT GROUP INSURANCE LEGISLATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.

Ayes: Ms. Ehrhardt, Mr. Sage, Mr. Erdmann, Ms. Smith, Mr. Sandal, and Chairman Strinden
Nays: None
Absent: Mr. Trenbeath

MOTION PASSED

MISCELLANEOUS

PERSLink
Ms. Schiermeister reported to the Board that Member Self Service (MSS) is a component of the PERSLink project. She indicated that PERS had a usability consulting firm review MSS and it was recommended to change the self service screens. The redesign for the retiree MSS was completed and rolled out in January 2012 with the redesign for the active MSS is in progress and is planned to be implemented in June 2012. She explained the features of MSS and what employees will be able to view, enroll in, and update. Information was presented at the NDPERS Benefits Committee meeting where potential challenges were identified. PERS will continue to rely on the assistance of agency payroll staff to work with members.

In recognition of the above, staff recommended the following MSS implementation process: (1) require all newly hired employees to enroll in their benefits using MSS (unless granted a waiver); (2) encourage existing employees to use MSS for benefit enrollments and changes, but give them the option to continue to use paper. Goal will be to require all employees to use MSS within two years of implementation; and (3) encourage employees to use MSS for 2013 annual enrollment, but give them the option to continue to use paper. Goal will be to require employees to use MSS for 2014 annual enrollment. The Board discussed these options.

MS. SMITH MOVED TO ADOPT THE IMPLEMENTATION POLICY FOR ACTIVE MEMBERS BASED ON STAFF RECOMMENDATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.

The Board discussed the implementation policy.

Ayes: Ms. Ehrhardt, Mr. Sage, Mr. Erdmann, Mr. Sandal, and Ms. Smith
Nays: None
Absent: Mr. Trenbeath and Chairman Strinden

MOTION PASSED

PERS Audit Committee Minutes
Mr. Collins shared the approved November 30, 2011 Audit Committee minutes with the Board.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:05 p.m.

Prepared by,

Cheryl Stockert
Secretary to the Board